Annual Report

Where's the annual report?

In our ongoing efforts to reduce, reuse and recycle we're trying something different this year. The entire annual report is available online, including commentaries, messages from our Board Chair and Chief Executive Officer, images and financial statements.

Click on the links below to access each section of our annual report.

Message From The Chair

Message From The CEO

Photo Gallery

The Forks

North Portage

Financials

Thank Yous

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Annual Report

2008-05191/

Message From The Chair

As we move forward to 2008, we are pleased to provide our Annual Report, a summary of our activities over this last year.

As you read the report, you will notice that our efforts continue with respect to downtown housing projects, hostels and redevelopment schemes in our mandated area. Of significance is the fact that we have completed a monetization of a portion of our assets, ensuring that we have the capital base to continue our efforts in these directions.

I would like, on behalf of the Board of Directors, to express our sincere thanks to the countless individuals and organizations whose efforts helped us move forward with our plans. Of special note, a thank you to our shareholders; the Honourable Vic Toews, Minister of Justice, the Honourable Steve Ashton, Minister of Intergovernmental Affairs, and His Worship Mayor Sam Katz and another thank you to our sister organizations, CentreVenture and Downtown Biz.

Finally, on behalf of the entire Board, I would like to thank our senior management team lead by Jim August and all the support staff for their efforts, diligence and commitment. Our success in the end, is because of you.

Rick Bel
Chair

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Annual Report

Message From The CEO

Partnerships are central to who we are and what we do. In fact, without the initial tripartite partnership agreement between three levels of government (The Winnipeg Core Area Agreement -1981 to1986) it is unlikely that The Forks or North Portage development would have occurred. It was an innovative strategy that spawned many downtown and inner city projects and has set a foundation for broader partnerships and strategic alliances. Political leaders of the day set a standard for cooperation and collaboration between governments and with community and business groups. Many cities look at Winnipeg's collaborative agreement and the partnerships it created with a certain envy as they attempt to replicate a similar model.

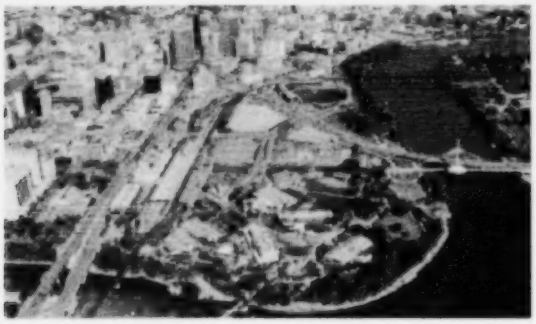
Partnerships arrangements are not always easy but almost always worthwhile. It is important to understand the priorities of others and find ways to move the collective vision forward. In my role as CEO of The Forks North Portage Partnership I have the privilege of being involved in many varied partnership arrangements throughout our organization:

- The Downtown BIZ is an important partner as they address the clean and safe agenda and play an important marketing role;
- CentreVenture and North Portage collaborate on development projects;
- Destination Winnipeg works to keep the focus on economic development and Winnipeg as a tourism destination;
- The Winnipeg Chamber of Commerce is a proponent and advocate for a revitalized downtown;
- The University of Winnipeg has a strategy that is creating a new and expanded urban campus with strong community relations;
- Knox United Church is working hard to create a healthy neighbourhood in the Central Park community;
- Hostelling International is creating a signature hostel in the heart of the North Portage neighbourhood:
- Private developers are looking at new initiatives that require collaborative efforts with the public sector;
- All of our tenants, both at The Forks and North Portage who are helping to create the vision for a revitalized downtown;
- Our family of corporate sponsors allow us to do our summer and winter programming and education programs at IMAX;
- City of Winnipeg works with us and others to identify strategies to enhance the downtown;
- Department of Science Technology Energy and Mines (Government of Manitoba) has provided advice and guidance as The Forks works to reduce its energy consumption;
- The federal government and their Infrastructure Works program;
- Individuals within the community approach us with ideas and projects that may result in a public art display, a fund raising event, or a festival at The Forks;
- Our Board of Directors provides our organization with guidance;
- Our dedicated team at The Forks North Portage Partnership who provide commitment, expertise and innovation to our organization; and finally
- The people of our city for their support of both The Forks and North Portage.

Our partners each bring a level of commitment, passion, expertise, and sometimes money to the project at hand.

The downtown challenge is to build on existing successes, identify new opportunities, and address negative aspects that impact urban revitalization. It is the partnership model that will continue to create a healthy community in downtown Winnipeg.

Annual Report



The Forks

Mission-

The Forks - Shall be developed as a 'Meeting Place,' a special and distinct, all season gathering and recreational place at the junction of the Red and Assiniboine Rivers, through a mixed use approach including recreational, historical and cultural, residential, and institutional and supportive commercial uses.

What has made The Forks the meeting place for nearly 6,000 years is its ability to change, embrace new opportunities while respecting and celebrating its heritage.

Events are one of the top reasons visitors come to The Forks. Our innovative and entertaining programming is what sets us apart.

Arctic Glacier Winter Park is gaining popularity each year and it is the partners including, Arctic Glacier, Great West Life, Investors Group, Scotiabank, Omni Facilities and many others, that allow us to offer quality programming and great winter attractions.

The Forks was able to claim the longest skating surface in the country for a brief time as Ottawa's Rideau Canal was not entirely frozen. The ensuing Winnipeg vs. Ottawa media coverage has planted the seed for Winnipeg to make a true attempt at becoming the longest skating trail in the world this year.

Scotiabank Family New Year's Eve came complete with two great fireworks shows and all day family programming, in spite of a surprise blizzard that morning,

Our Summer Concert Series Live on the Scotiabank Stage once again allowed us to partner with others to bring large scale programming to the site. The series is anchored by a Signature event, Canada Day at The Forks presented by Rogers, and includes Kidstock, the kickoff of Folklorama and the finale for the Indigenous Tribal Village. The fifth part of the series, The Biggest Fur Trading Party Since 1821, celebrated the designation of the Red River as a Heritage River by The Canadian Heritage Rivers Council with a large scale historic reenactment.

Two of our Signature Series welcomed a new title sponsor this year. Casinos of Winnipeg Move and Groove and Casinos of Winnipeg Salsa Sundays have a loyal following with their format of live music paired with professional dance instruction and fun.

Rogers WAM at The Plaza, an inaugural amateur skateboarding competition held in August, was a great success. Attracting competitors from across North America with its $15,000 cash purse, the three day event set the bar for competitions of this type and attracted thousands of spectators of all ages.

Three weeks of Skate Camps at The Forks were once again generously supported by Investors Group.

The site itself also became the backdrop to several major exhibits, each highlighting either an area of our province or our country as a whole.

A partnership with the town of Thompson brought The Wolves of Thompson, a series of 10 concrete wolves decorated by Manitoba artists, to the site.

In conjunction with Quebec based organization Reporters Communication, The Forks hosted a major photo exhibit on the preservation of the boreal forest in Canada.

Inside The Forks Market another partnership, this time with the town of Morden, resulted in a summer exhibit of Sea Monsters. The Canadian Fossil Discovery Centre and The Forks Market created the two month long installation of fossils and activities, including a gigantic sand sculpture that attracted a great deal of media attention.

The Forks Market itself continues to build upon the fresh food concept. Our most recent survey indicated that fresh food was one of the main reasons visitors came to The Forks Market. Tenants in the fresh food category have seen over a 100% increase in their sales from this time last year.

New tenants at The Forks Market show the effect the skateboard park has had on our site. SK8 Skates moved from its Corydon Avenue location to the second floor of the Forks Market this year and Pylon, specializing in youth oriented items, moved next door.

Restaurants at The Forks are major attractions and our fast food tenants continue to offer a wide range of diverse ethnic offerings. Branigan's underwent a name change and renovation this year.

The Inn at the Forks has built a solid clientele of conference, business and leisure travelers over its three year history. Their reputation has attracted local, national and international clients to their one-of-kind boutique hotel.

The Manitoba Children's Museum (MCM) and Manitoba Theatre for Young People (MTYP) both continue to report strong attendance at their venues, with MTYP's season being one of the best yet. Comet in Moominland, one of the venue's original productions is New York bound this fall, a testament to the calibre of performance showcased at this venue. And at MCM, a new gift shop has been a great addition to the museum.

The Canadian Museum for Human Rights (CMHR) will become the only federal museum to be located outside of the national capital area with the Prime Minister's announcement that CMHR would become a federal institution. Fundraising efforts continue with nearly $240 million, of the $265 million required to begin construction, already committed. We are working closely with all the partners involved to address parking and transportation issues to ensure all of the site's needs are met during and after construction.

We bid farewell this year to the Splash Dash Water Bus service. While the operator will continue to provide tours of the river, the feasibility of the water bus is in jeopardy, as the docks can't be installed until water levels recede to a certain level, something that has rarely happened until at least early August in five of the last six summers. We continue to search for alternate solutions for the coming season.

A new Forks initiative is beginning this fall. Target 0:2010 is our commitment to find ways to reduce The Forks' carbon footprint to zero by the year 2010. With projects on both the consumption and supply side of the equation, the ambitious target will be outlined on www.theforks.com and at a press conference in early November.

The Forks Heritage Advisory Committee completed a significant project that was launched on The Forks web site. The new Forks Heritage Research web page contains an abundance of information about pre-contact (pre-fur trade) and recent historical details of The Forks, one of Canada's most prominent historic zones.

The Forks Foundation mission is "to raise funds to support and enhance historical, cultural and public amenities at The Forks". Over the past year, The Foundation has received funds in support of programs from Investors Group, The Burns Family Fund, The Winnipeg Foundation, and donations from individuals in memory of a loved one.

The Forks Foundation also launched The Forks Bench Tribute Program to allow the public to purchase a bench in

honour of a loved one or to commemorate a special occasion. And The Great Wise Owl, a sculpture piece designed by local architect Etienne Gaboury will soon be installed in front of The Forks Market to accept donations for The Forks Foundation.

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Annual Report

North Portage

Mission –
North Portage - Shall be a centre of commerce, culture and living, integrated to form a diverse downtown community through a mixture of public uses including: residential, commercial and institutional, recreational, educational, and entertainment facilities.

As the Manitoba Hydro building nears completion on Portage Avenue, we continue to work towards creating a mixed-use community where people work, live and play. The area is a work in progress, and we thank Hydro's board and management for their level of commitment to the downtown.

Late last year, we took over the management of our parking operation at the North Portage and Forks sites, creating FNP Parking. Parking is a major revenue source and we saw an opportunity to improve our bottom line with in-house management. We control 2500 parking spaces with 1500 on the North Portage site. New state-of-the-art parking equipment is currently being installed in Portage Place that should virtually eliminate lineups to exit.

The IMAX® Theatre at Portage Place underwent phase two of its planned upgrades. To complement the theatre's conversion to IMAX® 3D last year, all of the seats have been replaced and a refurbished lobby with bright colours and clean lines now welcomes visitors. A steady audience of nearly 145,000 per year has emerged for both 2D and 3D films, and programming continues to focus on a blend of educational content and the 3D format. Overall attendance is not meeting our projections but IMAX® continues to perform well in the area of educational programming, with over 40,000 students visiting in the last school year.

Throughout the year, we have continued to work with a variety of partners to facilitate the creation of affordable, interesting housing projects in our downtown.

We thank Manitoba Housing Renewal Corporation (MHRC) for the $500,000 grant for the creation of an innovative housing project in the inner city. Our intent is to assist in turning the Canada Building, a historic office building, into a mixed use housing project. We are currently finalizing the predevelopment details for the project.

In the last year we have also seen increased interest in developing one of the pad sites atop Portage Place. We continue to explore those possibilities.

Working in partnership with Hostelling International, NPDC acquired the Downtowner Hotel on Ellice. Renovations are almost complete on the 75 bed property and the hostel is targetting 18,000 room nights with students, backpackers and travelers from around the world.

In the previous year, we worked with the Institute of Urban Studies (IUS), The City of Winnipeg and Downtown BIZ to create the Downtown View, a snapshot of our downtown as it exists today. Intended as a quantitative view of our downtown, the report will be used as a benchmark for future reports, identifying trends, opportunities and obstacles.

We have continued to work closely with the University of Winnipeg Community Renewal Corporation, chaired by Dr. Lloyd Axworthy by participating on the Board and Development Committee, and providing feasibility analysis, financial management, and bookkeeping services.

NPDC also continues to partner with CentreVenture in identifying joint efforts. We support the Downtown BIZ to market our downtown and keep it clean through new programs like the Downtown Spirit rebrand and the In/Out for Lunch Concert series.

Looking to the future, NPDC has completed a refinancing of its North Portage assets. This will assist in further investment and redevelopment opportunities.

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NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Financial Statements

Year Ended March 31, 2007

NORTH PORTAGE DEVELOPMENT CORPORATION

Index to Consolidated Financial Statements

Year Ended March 31, 2007

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THE EXCHANGE
chartered accountants LLP

AUDITORS' REPORT

To the Board of Directors of North Portage Development Corporation

We have audited the consolidated statement of financial position of North Portage Development Corporation as at March 31, 2007 and the consolidated statements of revenue and expenditures and net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 25, 2007

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NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Statement of Financial Position

March 31, 2007

	2007	2006
ASSETS		
CURRENT		
Cash	**$ 371,628**	$ 557,178
Short term investments *(Note 2)* *(Market value $ 9,133,085; 2006 - $1,395,500)*	**9,042,367**	1,395,500
Accounts receivable	**725,627**	850,648
Inventory *(Note 2)*	**5,445**	8,927
Prepaid expenses	**497,851**	370,910
Current portion of loans receivable *(Note 3)*	**10,438**	9,783
	10,653,356	3,192,946
LOANS RECEIVABLE *(Note 3)*	**199,635**	191,358
CAPITAL ASSETS *(Note 2, 4)*	**20,222,893**	22,624,184
INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS *(Note 6)*	**59,361,270**	66,323,131
DEFERRED CHARGES *(Note 2)*	**312,500**	362,500
	$ 90,749,654	$ 92,694,119

NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Statement of Financial Position

March 31, 2007

	2007	2006
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 1,821,042**	$ 1,763,706
Accrual for unsettled land expropriation claims *(Note 7)*	**1,500,000**	1,500,000
Loan payable *(Note 1)*	**1,711,636**	1,711,636
Current portion of obligations under capital lease *(Note 2, 10)*	**297,718**	256,312
	5,330,396	5,231,654
PREPAID LAND RENTS *(Note 2)*	**663,900**	671,987
OBLIGATIONS UNDER CAPITAL LEASE *(Note 2, 10)*	**793,027**	1,100,876
DEFERRED CONTRIBUTIONS *(Note 1, 2)*	**24,780,479**	26,463,114
	31,567,802	33,467,631
NET ASSETS		
Share capital *(Note 11)*	**3**	3
Contributed surplus *(Note 1)*	**39,310,266**	39,310,266
Donated land equity *(Note 2, 9)*	**8,000,000**	8,000,000
Net assets	**11,871,583**	11,916,219
	59,181,852	59,226,488
	$ 90,749,654	$ 92,694,119

CONTINGENT LIABILITY *(Note 14)*

COMMITMENTS *(Note 15)*

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Statement of Revenue and Expenditures and Net Assets

Year Ended March 31, 2007

	2007	2006
REVENUE FROM OPERATIONS		
Rental	**$ 383,208**	$ 487,070
Parking	**3,917,150**	3,771,144
Theatre	**1,122,362**	857,606
The Forks Market	**1,711,306**	1,716,494
Public amenities recoveries	**171,294**	178,606
Lease and land rents	**1,448,052**	1,657,506
Events	**80,018**	53,304
Sponsorship	**308,172**	204,717
Interest income	**239,211**	65,366
Miscellaneous	**46,664**	16,328
	9,427,437	9,008,141
EXPENSES		
Forks Market	**1,591,432**	1,614,021
General and administration	**1,037,754**	1,033,078
Marketing	**520,760**	481,495
Parking	**1,731,093**	1,722,789
Planning and development	**412,803**	297,381
Program and events	**411,269**	329,052
Public amenities	**1,061,473**	910,279
Rental	**277,225**	343,747
Sponsorship	**113,584**	96,897
Theatre	**1,465,169**	1,211,373
	8,622,562	8,040,112
OPERATING INCOME	**804,875**	968,029
Depreciation and amortization *(Note 12)*	**(1,626,166)**	(1,476,563)
Gain on disposal of assets	**776,655**	-
	(849,511)	(1,476,563)
DEFICIENCY OF REVENUE OVER EXPENDITURES	**(44,636)**	(508,534)
NET ASSETS - BEGINNING OF YEAR	**11,916,219**	12,424,753
NET ASSETS - END OF YEAR	**$ 11,871,583**	$ 11,916,219

NORTH PORTAGE DEVELOPMENT CORPORATION

Consolidated Statement of Cash Flows

Year Ended March 31, 2007

	2007	2006
OPERATING ACTIVITIES		
Cash receipts from customers and sponsors	**$ 9,315,636**	$ 8,592,075
Cash paid to suppliers and employees	**(8,578,754)**	(8,155,426)
Interest received	**239,211**	65,366
Interest paid	**(70,405)**	(17,986)
Cash flow from operating activities	**905,688**	484,029
INVESTING ACTIVITIES		
Purchase of capital assets	**(1,659,959)**	(3,237,090)
Proceeds on disposal of capital assets	**8,192,320**	-
Loan receivable issued	**(31,990)**	-
Repayment of loan receivable	**23,057**	6,956
Cash flow from (used by) investing activities	**6,523,428**	(3,230,134)
FINANCING ACTIVITIES		
Repayment of obligations under capital lease	**(266,443)**	(13,777)
Receipt of deferred contributions	**298,644**	1,863,156
Cash flow from financing activities	**32,201**	1,849,379
INCREASE (DECREASE) IN CASH FLOW	**7,461,317**	(896,726)
CASH - BEGINNING OF YEAR	**1,952,678**	2,849,404
CASH - END OF YEAR	**$ 9,413,995**	$ 1,952,678
CASH CONSISTS OF:		
Cash	**$ 371,628**	$ 557,178
Short term investments	**9,042,367**	1,395,500
	$ 9,413,995	$ 1,952,678

1. DESCRIPTION OF BUSINESS

The mission of North Portage Development Corporation (the "Corporation" or "NPDC") is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency. The company is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks.

The merger of the operations of The Forks Renewal Corporation ("FRC") and the North Portage Development Corporation in 1994, established one management structure to oversee development and operations at the two sites. Since the time of implementation of the Initial Concept and Financial Plans for the North Portage site (1984) and The Forks (1987), the Corporation has carried out its mandate through a mixed use approach to renewal activities, resulting in a diverse mix of developments and uses to bring people downtown.

North Portage Theatre Corporation, ("NPTC") a subsidiary of NPDC, owns and operates an Imax theatre within the Portage Place Retail Complex.

The company is exempt from income tax.

(a) North Portage Development Corporation

NPDC is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg. Funding provided by the shareholders, as noted below, was utilized to acquire capital assets.

The funding has been allocated as follows:

The Government of Canada's Special Capital Recovery Projects Program	$ 22,000,000
The Province of Manitoba	22,000,000
The City of Winnipeg	22,000,000
Winnipeg Core Area Initiative - Program 7	5,000,000
	$ 71,000,000

The funding has been allocated as follows:

	2007	2006
Deferred contributions	**$ 14,014,927**	$ 14,831,478
Amortization of deferred contributions recognized in income	**18,220,501**	17,403,950
Contributed surplus	**37,052,933**	37,052,933
Applied to operations	**1,711,639**	1,711,639
	$ 71,000,000	$ 71,000,000

1. DESCRIPTION OF BUSINESS *(continued)*

(b) The Forks Renewal Corporation

FRC has received its funding from the following sources:

	2007 *(cumulative)*	2006 *(cumulative)*
Nature Conservancy	**$ 226,005**	$ 226,005
Winnipeg Core Area Initiative - I		
Program 8.2	**657,000**	657,000
Winnipeg Core Area Initiative - II		
Program 3	**20,000,000**	20,000,000
Program 5.7	**5,000,000**	5,000,000
The Canada-Manitoba Tourism Development Agreement	**1,250,000**	1,250,000
The Western Diversification Program	**2,914,816**	2,914,816
Equivalency contribution - Canada	**4,000,000**	4,000,000
Equivalency contribution - Province of Manitoba	**5,000,000**	5,000,000
Equivalency contribution - The City of Winnipeg	**6,736,946**	6,736,946
Winnipeg Core Initiative - Public Amenity	**931,000**	931,000
Canada - Manitoba Infrastructure Works Program	**2,020,011**	2,020,011
Province of Manitoba WDA		
Program 12 Riverbank Development	**363,268**	363,268
The City of Winnipeg WDA		
Program 12 Riverbank Development	**159,764**	159,764
The Canada-Manitoba Economic Development Partnership Program	**598,527**	598,527
The Forks Foundation Inc.	**1,427,143**	1,336,854
CentreVenture Development Corporation	**510,696**	334,847
The Winnipeg Foundation	**150,000**	142,494
Energy Development Initiative	**25,000**	-
	$ 51,970,176	$ 51,671,532

The funding has been allocated as follows:		
Deferred contributions	**$ 10,765,552**	$ 11,631,636
Amortization of deferred contributions recognized in income	**23,219,784**	22,055,056
Contributed surplus	**2,257,333**	2,257,333
Applied to operations	**15,727,507**	15,727,507
	$ 51,970,176	$ 51,671,532

During 2007, FRC received funding of $25,000 in support of various components of the Met Tower, $266,138 in support of various components of the Skate Board Park and $7,506 in support of various components of the Peace Meeting Site

1. DESCRIPTION OF BUSINESS *(continued)*

(c) North Portage Theatre Corporation

NPTC includes the accounts of 3898211 Manitoba Ltd. Funding of NPTC was provided as follows:

	2007	2006
Repayable loan - Manitoba Development Corporation	**$ 1,800,000**	$ 1,800,000
Contributions from shareholders		
North Portage Development Corporation	**1,800,000**	1,800,000
North Portage Development Corporation Development Agreement	**3,900,000**	3,900,000
	$ 7,500,000	$ 7,500,000

The repayable loan is non-interest bearing until demand at which time it will bear interest at 10% per annum. The loan payable to the Manitoba Development Corporation is secured by a fixed and specific mortgage and charge on the theatre air rights and the equipment as well as a floating charge over the assets of NPTC. NPTC is required to make principal payments annually equal to 33 1/3% of net income of the Imax Theatre at Portage Place and film rental revenue. Cumulative repayments to date have been $88,364. At March 31, 2007 no demand had been made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The consolidated financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Short term investments

Short term investments are stated at cost, or at cost less amounts written of to reflect a decline in value which is other than temporary. The reported market value is based on year-end quoted market prices, which represent the fair value

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital Assets

Capital assets are recorded at cost. Depreciation is calculated at the following rates based on the estimated useful lives of the assets:

Office equipment	20%	declining balance method
Computers	30%	declining balance method
Parking equipment (NPDC)	30%	declining balance method
Parking improvements and equipment (FNP)	5-10 years	straight-line method
Rental buildings	10-20 years	straight-line method
Plaza and pavilion furniture and equipment	20-30%	declining balance method
Leasehold improvements	10 years	straight-line method
3D projector - capital lease	10 years	straight-line method
Theatre equipment	5-10 years	straight-line method
The Forks site:		
Building	40 years	straight-line method
Parking structure	40 years	straight-line method
Roads and services	20 years	straight-line method
Parks and plaza	20 years	straight-line method
Tenant allowances and pre-opening costs	5 years	straight-line method
Furniture and equipment	20-30%	declining balance method
Equipment under capital lease	5 years	straight-line method
North Portage properties and infrastructure enhancements:		
Site servicing costs and infrastructure enhancements	20-40 years	straight-line method
Land carrying costs and development projects	10 years	straight-line method
The Forks infrastructure enhancements:		
Land carrying costs	10 years	straight-line method
Development projects	10 years	straight-line method
Site servicing	20 years	straight-line method
Infrastructure enhancements	10-20 years	straight-line method

Donated land

Donated land was recorded at fair market value as approved by the Board of Directors of FRC in 1989.

Deferred charges

Deferred charges relate to a prepayment of rent for a 10 year lease of a building for redevelopment purposes. The deferred charges are being amortized over 10 years.

Deferred contributions

Contributions utilized to acquire capital assets are deferred and amortized to income on the same basis as the related capital asset.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Land rents

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the term of the related leases of 75 to 99 years.

Leases

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership of the property to the NPDC Group of Companies are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases whereby rental payments are expensed as incurred.

Revenue recognition

Rental revenue and monthly parking is recognized in the period in which the rental agreement relates. Revenue from casual parking and theatre is recognized when the service is provided. Cost recoveries are recognized as revenue in the period the related costs are incurred. Event and sponsorship revenue are recognized in the period in which the event occurs.

3. LOANS RECEIVABLE

	2007	2006
Loan receivable, bearing interest at 6.5% per annum, receivable in monthly installments of $1,148 including interest, due July 2012, secured by specific equipment	**$ 121,924**	$ 125,381
Loan receivable, bearing interest at 6.5% per annum, receivable in quarterly installments of $2,500 including interest, due July 2008, secured by specific equipment	**56,160**	75,760
Loan receivable, non-interest bearing, no specific terms of repayment, unsecured	**31,990**	-
	210,074	201,141
Amounts payable within one year	**(10,438)**	(9,783)
	$ 199,636	$ 191,358

4. CAPITAL ASSETS

	Cost	Accumulated amortization	**2007 Net book value**	2006 Net book value
The Forks site (Note 5)	$ 32,542,037	$ 15,397,376	**$ 17,144,661**	$ 18,186,808
3D projector	1,375,781	171,972	**1,203,809**	1,341,387
Theatre equipment	128,365	11,885	**116,480**	73,639
Box office	26,162	20,289	**5,873**	7,405
Theatre facilities	3,207,007	3,200,797	**6,210**	-
Fixtures and signage	72,261	72,261	-	-
Rental buildings	1,528,624	524,127	**1,004,497**	2,245,811
Parking equipment	291,106	18,703	**272,403**	299,100
Office equipment	300,326	203,058	**97,268**	89,195
Plaza and pavilion furniture and equipment	602,222	411,400	**190,822**	188,418
Leasehold improvements	297,598	176,494	**121,104**	135,369
Computers	461,742	401,976	**59,766**	57,052
	$ 40,833,231	$ 20,610,338	**$ 20,222,893**	$ 22,624,184

5. THE FORKS SITE

	Cost	Accumulated amortization	**2007 Net book value**	2006 Net book value
Land	$ 120,694	$ -	**$ 120,694**	$ 120,694
Building	7,670,330	3,238,808	**4,431,522**	4,547,026
Roads and services	7,050,734	5,287,527	**1,763,207**	2,095,602
Parks and plaza	8,947,663	3,288,981	**5,658,682**	6,097,456
Parking structure	5,002,682	523,490	**4,479,192**	4,629,904
Box office computers	27,592	27,592	-	-
Furniture and equipment	745,005	529,680	**215,325**	153,630
Equipment under capital lease	283,275	28,327	**254,948**	283,275
Tenant allowances and pre-opening costs	2,694,062	2,472,971	**221,091**	259,221
	$ 32,542,037	$ 15,397,376	**$ 17,144,661**	$ 18,186,808

6. INVESTMENT IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	2007	2006
North Portage Properties and infrastructure enhancements (Note 7)	**$ 45,056,251**	$ 52,017,859
The Forks infrastructure enhancements (Note 8)	**6,610,373**	6,374,490
The Forks donated land (Note 9)	**7,694,646**	7,930,782
	$ 59,361,270	$ 66,323,131

7. NORTH PORTAGE PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS

	Cost	Accumulated Amortization	**2007 Net book value**	2006 Net book value
Land assembly and demolition	$ 28,557,536	$ -	**$ 28,557,536**	$ 34,401,388
Site servicing	6,306,438	4,028,350	**2,278,088**	276,542
Development projects	1,801,848	1,770,369	**31,479**	50,940
Infrastructure enhancements	31,993,622	17,804,474	**14,189,148**	17,288,989
	$ 68,659,444	$ 23,603,193	**$ 45,056,251**	$ 52,017,859

Certain properties within the boundary defined for redevelopment have been expropriated by the Province of Manitoba pursuant to the Corporation's Unanimous Shareholders' Agreement. The Province of Manitoba, as the expropriating authority, has made advances and final settlements with the owners and tenants of certain expropriated properties as compensation for the acquisition of land and has incurred various related costs to date amounting to $34,401,388. During 2006, one of the claims was settled reducing the accrual from $2.000,000 to $1,500,000. These amounts are included in land assembly and demolition costs.

8. INFRASTRUCTURE ENHANCEMENTS

	Cost	Accumulated amortization	**2007 Net book value**	2006 Net book value
Clearing and relocation	$ 2,257,333	$ -	**$ 2,257,333**	$ 2,257,333
Land carrying costs	1,771,316	1,769,440	**1,876**	2,109
Site servicing	5,389,619	3,885,791	**1,503,828**	1,711,798
Development projects	586,744	577,966	**8,778**	10,804
Infrastructure enhancements	6,117,573	3,279,015	**2,838,558**	2,392,446
	$ 16,122,585	$ 9,512,212	**$ 6,610,373**	$ 6,374,490

9. DONATED LAND

FRC acquired title and possession of 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and The City of Winnipeg as follows:

From Canada	**From Winnipeg**	**From Core Area Initiative**	**Total**
49 acres	3.3 acres	3.0 acres	55.9 acres

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the Board of Directors on June 5, 1989. During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg. During 2003, 0.5 acres of donated land was transferred to the City of Winnipeg. During 2007, 1.65 acres of donated land was sold to the City of Winnipeg.

The remaining lands under the FRC's ownership total 49.95 acres.

10. OBLIGATIONS UNDER CAPITAL LEASE

Under the terms of a capital lease signed by NPTC dated December 22, 2005, lease payments are payable to Imax Corporation for the use of the 3D projector. The obligation is denominated in US dollars and has an assumed interest rate of 5.75% per annum.

In fiscal 2006, FRC entered into a capital lease contract to purchase $283,275 in equipment. The obligation is has an assumed interest rate of 5.87% per annum.

Interest relating to capital lease obligations has been recorded in Forks Market expenses in the amount of $13,535 (2006 - $2,500) and in Theatre expenses in the amount of $56,730 (2006 - $15,486).

The payment terms are as follows:

	3D Projector	Forks Market equipment	Total
2008	$ 288,266	$ 65,195	$ 353,461
2009	316,577	65,195	381,772
2010	61,771	65,195	126,966
2011	61,771	48,721	110,492
2012	61,771	-	61,771
Thereafter	231,639	-	231,639
	1,021,795	244,306	1,266,101
Less amounts representing interest	(148,888)	(26,468)	(175.356)
	872,907	217,838	1,090,745
Less current principal portion of obligation	(243,947)	(53,771)	(297,718)
	$ 628,960	$ 164,067	$ 793,027

11. SHARE CAPITAL

Authorized:
Unlimited Common shares

	2007	2006
Issued:		
3 Common shares	$ 3	$ 3

12. DEPRECIATION AND AMORTIZATION

Included in depreciation and amortization is the following:

	2007	2006
Depreciation of capital assets	$ (3,597,608)	$ (3,380,464)
Amortization of deferred contributions	1,981,279	1,903,901
	$ (1,616,329)	$ (1,476,563)

13. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, short term investments, accounts receivable, loans receivable, accounts payable and accrued liabilities and obligations under capital lease. Unless otherwise noted, it is management's opinion that the is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

14. CONTINGENT LIABILITY

A statement of claim for unspecified damages was filed against the Corporation for an alleged breach of contract. The Corporation has filed a statement of defence. No liability has been recorded as the outcome is undeterminable at this time.

15. COMMITMENTS

Facilities:

(i) NPDC has leased land to 2700760 Manitoba Limited ("2700760") for the development of an office and computer facility, which, in turn, has been leased to ISM Information Systems Management Corporation ("ISM").

NPDC has the option, within 105 days after the 15th anniversary of the opening date of March 1, 1993, to sell the land to 2700760 for a price of $2.3 million.

2700760 has the option to purchase the land on the 12th and 15th anniversaries of the opening date for a price which is the greater of $2.3 million and the fair market value at those times. In addition, ISM has the option to purchase the land and improvements from 2700760.

(ii) FRC has leased parking, storage and an office site at The Forks to December 2011. The lease, containing renewal options, calls for base monthly payments of $1,667 and provides for payment of utilities and property taxes. This lease has been assumed by FNP.

(iii) During the year, NPDC entered into a contract to purchase the "Downtown Motor Hotel" from 2819857 Manitoba Limited for the development of a downtown hostel. NPDC is committed to pay another $1,450,000 before June 19, 2007 to complete this purchase transaction.

Equipment maintenance:

(i) Under the terms of an equipment maintenance agreement signed by NPTC dated December 22, 2005 for the 3D projector, a maintenance fee is payable to Imax Corporation. The commitment is denominated in U.S. dollars. The payment terms are as follows:

2008	$ 62,800
2009	48,300
2010	48,300
2011	48,300
2012 and thereafter	241,500
	$ 449,200

16. SUBSEQUENT EVENTS

NPDC has entered into an agreement to monetize certain assets, by obtaining long-term financing supported by the cash flows from the North Portage land leases totalling $15,250,000. It is secured by a general assignment of lease and rent on the following: Citiscape Residence Corporation, Portage Place Centre Inc. and Spruceland Mall Limited Partnership, The Kiwanis Club of Winnipeg Seniors Building Inc. and Fred Douglas Place. NPDC has paid the underwriting and commitment fee totalling $419,000 on April 17, 2007.

17. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

The comparative figures were audited by another firm of chartered accountants.